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Orderly Liquidation of Stocks of Agricultural Commodities Held by the Commodity Credit Corporation and the Expansion of Markets for Surplus Agricultural Commodities

An annual report by the
Secretary of Agriculture
in response to Section 201 (b),
Public Law 540, 84th Congress

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United States Department of Agriculture
Washington, D. C. 20250
December 1968*

This report is in response to the following parts of Section 201(b), Public Law 540, 84th Congress, approved May 28, 1956:

". . . The Secretary shall report annually on his operations under subsection (a) and such reports shall show--

- (1) the quantities of surplus commodities on hand;
- (2) the methods of disposition utilized and the quantities disposed of during the preceding twelve months;
- (3) the methods of disposition to be utilized and the estimated quantities that can be disposed of during the succeeding twelve months;
- (4) a detailed program for the expansion of markets for surplus agricultural commodities through marketing and utilization research and improvement of marketing facilities; and
- (5) recommendations for additional legislation necessary to accomplish the purposes of this section."

NOTE: Parts I, II and IV were written and compiled by the Office of the General Sales Manager, Foreign Agricultural Service, on the basis of official figures furnished by the Fiscal and Budget Divisions of the Agricultural Stabilization and Conservation Service.

The topical sections of Part III were written by various agencies of the Department as indicated below:

Utilization Research and Development - Agricultural Research Service
Expanding Domestic Markets - Economic Research Service
Improved Marketing and Transportation Facilities, Equipment and
Methods - Consumer and Marketing Service
Forest Products Marketing and Utilization Research - Forest Service
Farmer Cooperatives - Farmer Cooperative Service
Promotion of Exports - Foreign Agricultural Service and Economic
Research Service

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PART I

QUANTITIES OF SURPLUS COMMODITIES ON HAND; SALES AND DISPOSITION METHODS USED; AND QUANTITIES OF CCC COMMODITIES MOVED INTO CONSUMPTION CHANNELS

Fiscal Year 1968 sales activities and inventory operations reduced the year end cost value of all inventories to less than a billion dollars. Upland cotton inventories were reduced to a cost value level which is now less than the value of corn. As of June 30, 1968, the total cost value of CCC price support inventories was \$913 million, less than half the figure of \$1.9 billion on June 30, 1967. During Fiscal Year 1968, CCC sold or otherwise disposed of commodities with a cost value of \$1.6 billion (excluding inventory carrying charges). At the end of the year, CCC inventories of grains were again below a generally acceptable normal carryover.

CCC'S PRICE SUPPORT INVESTMENT

CCC's investment in price support loans and inventories was reduced to \$3,180,914,000 as of June 30, 1968, compared with \$3,361,555,000 as of June 30, 1967, a reduction of \$180,641,000. Although commodities pledged for loans increased from \$1,503,142,000 to \$2,268,217,000, inventory reductions more than offset the increase in loans (see Table 1 which shows total CCC investment in commodities pledged for loans and commodities in inventory as of June 30, 1968).

Composition of the total CCC inventory and changes in the inventory from Fiscal Year 1964 through 1968 are shown in Table 2.

CCC inventories of upland cotton decreased from 6,713,979 bales in 1967 to 558,553 bales in 1968. Wheat dropped from 123,550,925 bushels to 102,299,620 bushels. Corn decreased from 141,020,280 bushels to 136,392,622 bushels. Grain sorghums declined from 194,263,959 bushels to 191,541,801 bushels. Stocks of other grains and rice remain virtually exhausted.

Tobacco under loan increased from 921,235,142 pounds to 1,035,245,000 pounds. Tobacco is the only commodity now in excess supply. See Charts 1 and 2.

CCC SALES PROGRAMS AND DISPOSAL METHODS

CCC sells or otherwise disposes of its commodities through five major outlets: Commercial Sales for U.S. Dollars, Payment-in-Kind Programs, Barter, Title II Allocations for Famine Relief and Other

Assistance Abroad Under Public Law 480, Domestic Donations and Transfers to Other Government Agencies. In its sales and disposal operations, CCC utilizes, insofar as practicable, the customary facilities and arrangements of trade and commerce. CCC has developed various sales methods which are summarized by commodity in Table 3.

Composition of these sales and dispositions for Fiscal Year 1968 are shown in Table 4.

Tobacco price support activity for Fiscal Year 1968 including sales and liquidation of tobacco under loan are shown in Table 5.

1. COMMERCIAL DOLLAR SALES

Commercial dollar sales dropped to 8% of total CCC dispositions during Fiscal Year 1968, about one-fifth of the dollar sales proportion for the previous year. (See Table 6). The large increase in payment-in-kind dispositions is largely responsible for the decrease.

Dollar sales under the CCC Export Credit Sales Program totaled \$140,610,385. Wheat was the largest selling commodity followed in order by cotton, corn and tobacco. See Chart 3 for cumulative sales under CCC credit from March 30, 1956, through June 30, 1968.

2. PAYMENT-IN-KIND PROGRAMS

(a) Feed Grain Program

Dispositions of feed grains under this program accounted for 64% of total CCC dispositions during Fiscal Year 1968. (See Table 6). This program was designed to cut back production of feed grains and at the same time provide feed grain producers improved farm income. The program provides for the voluntary reduction of feed grain acreage from the 1959-60 base. Producers who comply with the program are eligible for price support and in certain cases were eligible for diversion payments. Cooperators who make the necessary acreage reductions receive certificates which may be redeemed in CCC-owned feed grains or, if they request the assistance of CCC in marketing their certificates, CCC pays them the dollar amount of their certificates. Redemptions of certificates or certificate rights marketed by CCC during the marketing year were made for feed grains at market prices but not less than 115% of the loan rate plus reasonable carrying charges. Non-cooperators are not eligible for price support.

(b) Export Payment-in-Kind

Dispositions under these programs have become negligible, accounting for only 1% of the total CCC sales and dispositions during Fiscal Year 1968. (See Table 6). These dispositions represented a cleaning up of old outstanding certificates. All CCC credit sales are now being made from privately owned stocks. Furthermore, feed grains continued to be fully competitive in world markets and required no export payment allowances. Therefore, this disposition method is not now being utilized.

3. BARTER

Barter transactions accounted for approximately 4% of the CCC dispositions during Fiscal Year 1968, or 1% less than last year's total. (See Table 6).

Emphasis is continuing upon procurement of material for other government agencies under barter transactions.

4. PL 480 TITLE II ALLOCATIONS FOR FAMINE RELIEF AND
OTHER ASSISTANCE ABROAD

Title II allocations under Public Law 480 accounted for 6% of CCC dispositions in Fiscal Year 1968.

5. TRANSFERS AND DOMESTIC DONATIONS

Transfers from CCC inventories to other U.S. government agencies and donations of surplus commodities for domestic use accounted for approximately 15% of all CCC sales and dispositions, an increase of 3% over last year.

CHART 1

QUANTITIES OF SELECTED COMMODITIES IN CCC INVENTORY AND TOBACCO UNDER LOAN TO CCC

Fiscal Years 1964-68

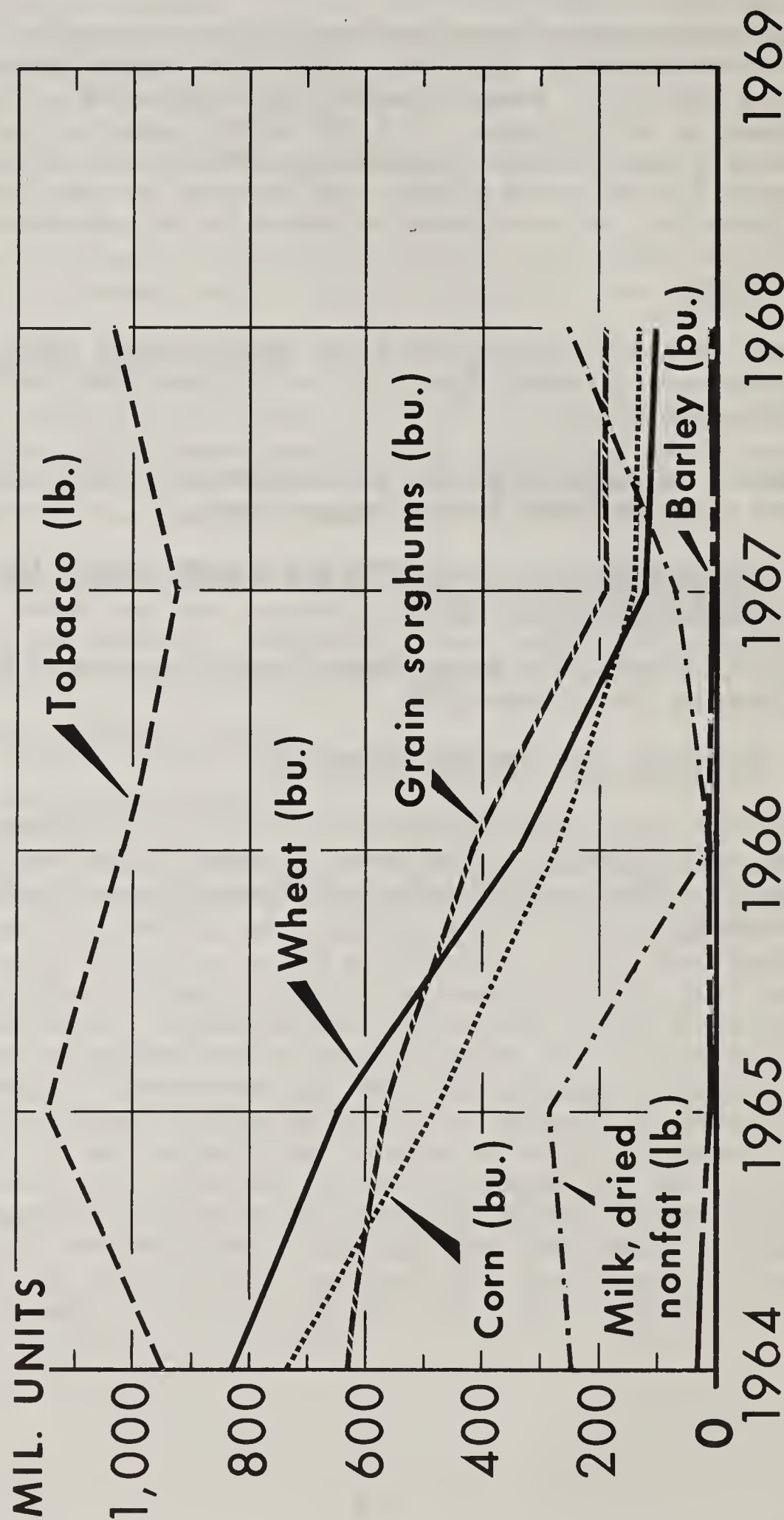


CHART 2

QUANTITY OF UPLAND COTTON IN CCC INVENTORY

Fiscal Years 1964-68

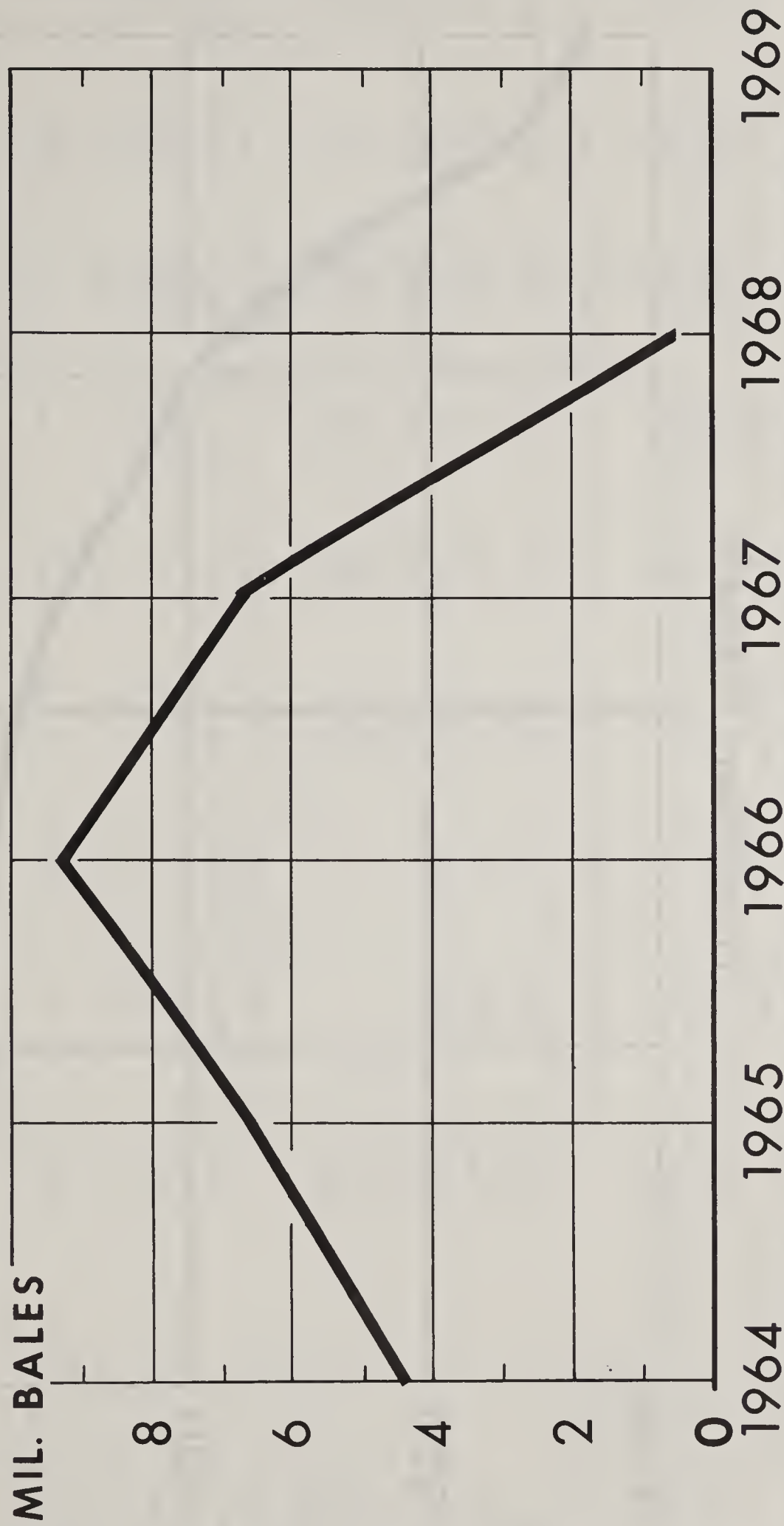


CHART 3

CUMULATIVE DOLLAR VALUE OF CCC CREDIT EXPORTS

Fiscal Years 1956-68

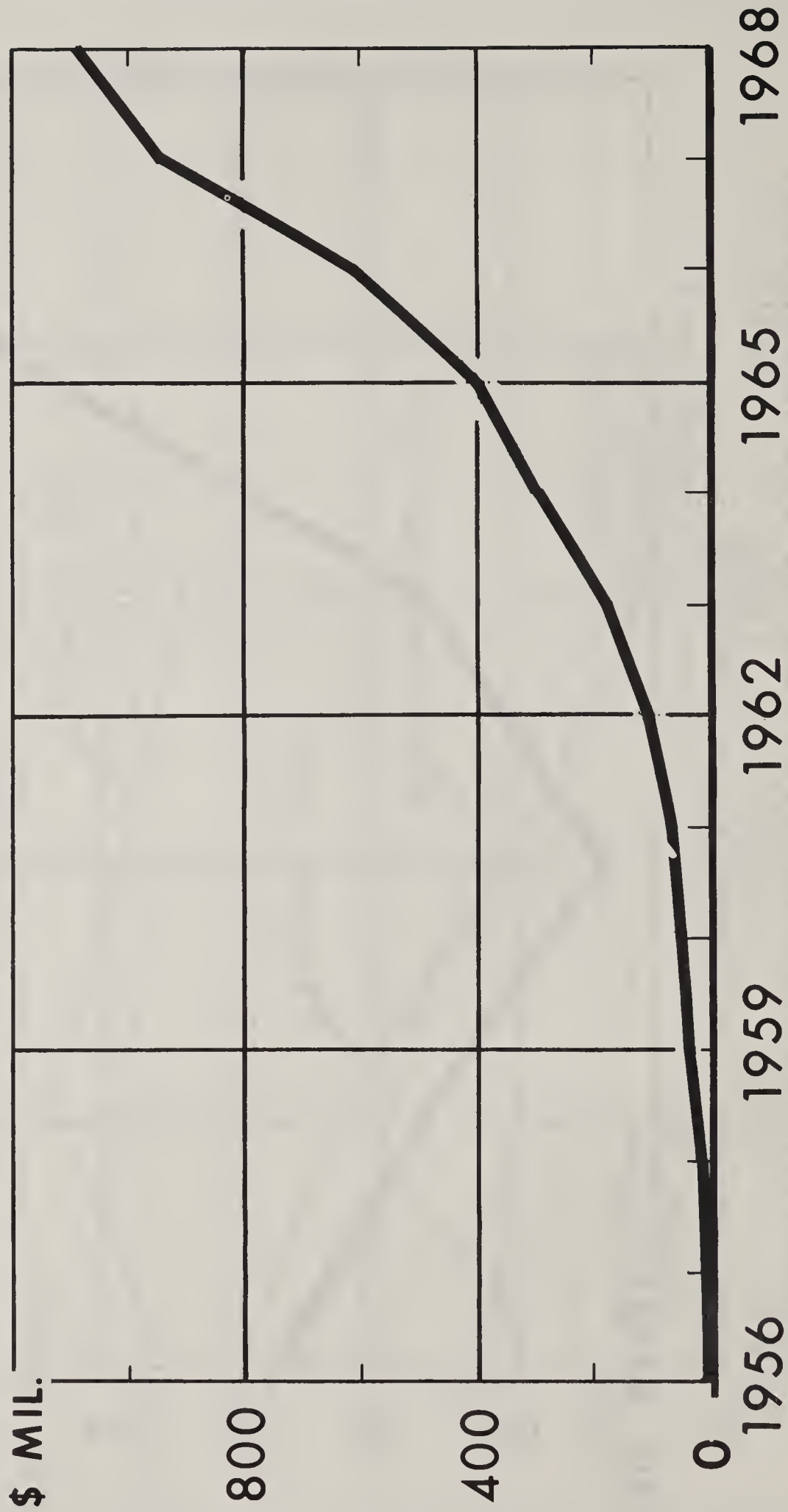


Table 1

Agricultural Stabilization and Conservation Service
Commodity Credit Corporation

INVESTMENT IN PRICE-SUPPORT LOANS AND INVENTORIES

(All Figures in Thousands)

COMMODITY	Unit of Measure	Pledged for Loans			Investment as of June 30, 1968 ^{a/}			Total			Total Investment as of June 30, 1967 ^{a/}		
		Quantity	Value		Quantity	Value ^{b/}		Quantity	Value		Quantity	Value ^{b/}	
Basic Commodities:													
Corn.....	Bushel	605,345	\$ 606,361		136,393	\$ 161,861		741,738	\$ 768,222		446,495	\$ 464,427	
Corn Products.....	Pound	-	-		-	-		-	-		2,891	105	
Cotton, Extra Long Staple.....	Bale	25	5,702		101	25,867		126	31,569		149	38,111	
Cotton, Upland.....	Bale	586	55,363		559	75,715		1,145	131,078		8,356	1,165,791	
Peanuts.....	Pound	282	30		9,501	1,493		9,783	1,523		85,234	13,807	
Rice.....	Cwt.	4	21		82	407		86	428		142	713	
Tobacco.....	Pound	1,035,245	755,952		-	-		1,035,245	755,952		921,235	678,820	
Wheat.....	Bushel	241,538	297,642		102,300	149,316		343,838	446,958		199,895	291,020	
Total Basic Commodities.....		xxx	1,721,071		xxx	414,659		xxx	2,135,730		xxx	2,652,794	
Designated Nonbasic Commodities:													
Milk and Butterfat:													
Butter.....	Pound	-	-		186,731	125,427		186,731	125,427		154,539	103,337	
Butter Oil.....	Pound	-	-		1,742	1,528		1,742	1,528		-	-	
Cheese.....	Pound	-	-		61,417	28,922		61,417	28,922		41,545	19,442	
Ghee.....	Pound	-	-		2,158	1,941		2,158	1,941		-	-	
Milk, Dried.....	Pound	-	-		256,658	54,046		256,658	54,046		76,302	15,879	
Barley.....	Bushel	38,550	32,750		5,899	4,654		44,449	37,404		16,440	12,626	
Grain Sorghum.....	Bushel	64,904	56,963		191,542	204,312		256,446	261,275		228,196	237,859	
Honey.....	Pound	5,150	660		4,543	567		9,693	1,227		6,551	811	
Oats.....	Bushel	46,609	25,344		45,238	27,525		91,847	52,869		79,706	45,551	
Rye.....	Bushel	996	995		7,957	8,181		8,953	9,176		7,524	7,712	
Tung Oil.....	Pound	46,703	11,415		19,714	4,969		66,417	16,384		66,670	16,448	
Total Designated Nonbasic Commodities.....		xxx	128,127		xxx	462,072		xxx	590,199		xxx	459,665	
Other Nonbasic Commodities:													
Beans, Dry Edible.....	Cwt.	18	110		-	-		18	110		1,855	13,183	
Flaxseed.....	Bushel	1,021	2,947		2,115	5,950		3,136	8,897		4,832	13,987	
Linseed Oil.....	Pound	-	-		80,000	9,494		80,000	9,494		80,000	9,494	
Naval Stores: Rosin.....	Pound	312,109	32,038		-	-		312,109	32,038		392,765	40,723	
Soybeans.....	Bushel	154,796	383,924		7,565	19,484		162,361	403,408		68,157	168,200	
Total Other Nonbasic Commodities.....		xxx	419,019		xxx	34,928		xxx	453,947		xxx	245,587	
Exchange Commodities:													
Strategic and Other Materials.....		xxx	xxx		xxx	1,038		xxx	1,038		xxx	3,509	
TOTAL.....		xxx	2,268,217		xxx	912,697		xxx	3,180,914		xxx	3,361,555	

NOTE: Inventories of commodities as shown in this report include commodities committed to sale or otherwise obligated.

^{a/} Investment value before deduction of allowance for losses. For amount of allowance and net book value as of current date, see Schedule 10 for Loans and Schedule 12 for Inventories.

^{b/} Investment value of inventory represents acquisition cost plus cost of any packaging or processing performed after acquisition.

Table 2

COMMODITIES IN CCC INVENTORY AND TOBACCO UNDER LOAN TO CCC
AS OF JUNE 30
(All Figures in Thousands)

Commodity	Unit of Measure	1964	1965	1966 CCC Inventories	1967	1968
Cotton, Extra Long Staple	Bales	37	99	119	124	101
Cotton, Upland	Bales	4,403	6,640	9,293	6,714	559
Wheat	Bushels	828,851	646,310	340,310	123,551	102,300
Wheat Flour	Pounds	3,488	682	--	--	--
Wheat, Rolled	Pounds	407	424	--	--	--
Bulgur	Pounds	78	1,455	--	--	--
Corn	Bushels	735,390	482,974	279,663	141,020	136,393
Corn Products	Pounds	683	6,359	--	2,891	--
Barley	Bushels	27,908	19,542	10,839	5,937	5,899
Oats	Bushels	33,190	42,218	50,573	47,191	45,238
Rye	Bushels	766	5,922	9,230	7,342	7,957
Grain Sorghums	Bushels	637,585	564,302	419,949	194,264	191,542
Butter	Pounds	183,269	158,991	38	154,539	186,731
Butter Oil	Pounds	21,040	1,592	--	--	1,742
Ghee	Pounds	1,589	--	--	--	2,158
Cheese	Pounds	33,062	2,089	--	41,545	61,417
Milk, Dried Non-fat	Pounds	249,701	282,620	10,796	76,302	256,658
Beans, Dry Edible	Cwt.	1,426	476	37	1,789	--
Rice, Milled	Cwt.	--	--	16	--	--
Rice, Rough	Cwt.	1,590	1,312	579	140	82
Peanuts, Farmers' Stock	Pounds	--	--	--	57	--
Peanuts, Shelled	Pounds	67,037	43,195	60,969	84,574	9,502
Tung Oil	Pounds	--	14,717	15,795	12,707	19,714
Cottonseed Oil, Refined	Pounds	79,232	--	--	--	--
Linseed Oil	Pounds	21,000	80,000	80,000	80,000	80,000
Flaxseed	Bushels	10,616	2,449	12,382	4,553	2,115
Soybeans	Bushels	19	2	8	1	7,565
Vegetable Oil Products	Pounds	2,725	3,418	--	--	--
Turpentine	Gallons	--	--	--	--	--
Mixed Feed	Cwt.	--	109	--	--	--
Honey	Pounds	--	--	307	3,160	4,543
Tobacco Under Loan to CCC						
Tobacco	Pounds	942,544	1,149,364	1,018,192	921,235	1,035,245

Table 3

METHODS OF SELLING CCC COMMODITIES

June 1968

FOR EXPORT		FOR UNRESTRICTED USE (DOMESTIC OR EXPORT)
Commodities Offered on Competitive Bids	Commodities Offered at Announced Prices	Commodities Offered at Not Less than the Statutory Minimum or other Minimum Set by CCC <u>1/</u>
Peanuts	Rough Rice <u>2/</u>	Barley
Upland Cotton	Flaxseed	Butter <u>3/</u>
Cotton, extra long staple	Cotton, extra long staple	Cheddar Cheese <u>3/</u>
Tung Oil		Corn
		Cotton, upland
		Cotton, extra long staple
		Flaxseed
		Grain Sorghums
		Non-fat Dry Milk <u>4/</u>
		Oats
		Peanuts, Edible
		Peanuts, for Crushing
		Rough Rice
		Rye
		Wheat

1/ Sales of commodities in danger of deterioration are made at the best price obtainable.
Disposition against certificate rights under the feed grain program are made at market price but not less than the loan rate plus reasonable carrying charges.

2/ For export as milled, unpolished milled, or brown rice.

3/ No export program.

4/ Restricted to U.S. owned overseas plants and P.L. 480.

Table 4

Agricultural Stabilization and Conservation Service
Commodity Credit Corporation

DISPOSITION OF INVENTORIES ACQUIRED
UNDER THE PRICE-SUPPORT PROGRAM BY TYPE OF DISPOSITION
FISCAL YEAR 1968

(All Figures in Thousands)

COMMODITY AND ITEM	Unit of Measure	Total Dispositions a/	Sales for Dollars		Payment-in-Kind		Barter c/	P. L. 480 Title II d/	Donations	Transfers to Other Government Agencies
			Domestic	Export b/	Unrestricted Use	Export b/	Export	Export	Domestic e/	Domestic
BASIC COMMODITIES:										
Corn:										
Quantity.....	Bushel	5,603	1,899	£/	96	-	-	3,531	11	66
Cost Value.....		\$ 6,980	2,276	£/	115	-	-	4,497	12	80
Proceeds.....		\$ 12,247	2,148	£/	843	-	-	9,167	-	89
Corn Products:										
Quantity.....	Pound	122,546	-	-	-	-	-	2,891	119,655	-
Cost Value.....		\$ 4,919	-	-	-	-	-	106	4,813	-
Proceeds.....		\$ 107	-	-	-	-	-	107	-	-
Cotton, Extra Long Staple:										
Quantity.....	Bale	45	£/	45	-	-	-	-	£/	-
Cost Value.....		\$ 11,376	34	11,342	-	-	-	-	£/	-
Proceeds.....		\$ 8,357	36	8,321	-	-	-	-	-	-
Cotton, Upland:										
Quantity.....	Bale	7,527	40	£/	7,050	-	437	-	£/	-
Cost Value.....		\$ 1,068,927	5,694	136*	1,003,610	-	59,751	-	8	-
Proceeds.....		\$ 701,362	6,872	40*	657,132	-	37,398	-	-	-
Peanuts, Farmers' Stock:										
Quantity.....	Pound	322	322	-	-	-	-	-	-	-
Cost Value.....		\$ 35	35	-	-	-	-	-	-	-
Proceeds.....		\$ 10	10	-	-	-	-	-	-	-
Peanuts, Shelled:										
Quantity.....	Pound	244,518	206,320	38,198	-	-	-	-	-	-
Cost Value.....		\$ 38,686	32,204	6,482	-	-	-	-	-	-
Proceeds.....		\$ 16,285	13,021	3,264	-	-	-	-	-	-
Rice, Milled:										
Quantity.....	Cwt.	1,016	-	-	-	-	-	-	1,016	-
Cost Value.....		\$ 9,305	-	-	-	-	-	-	9,305	-
Proceeds.....		\$ -	-	-	-	-	-	-	-	-
Rice, Rough:										
Quantity.....	Cwt.	94	94	-	-	-	-	-	-	-
Cost Value.....		\$ 460	460	-	-	-	-	-	-	-
Proceeds.....		\$ 525	525	-	-	-	-	-	-	-
Tobacco, Owned:										
Quantity.....	Pound	10,575	-	-	-	-	10,575	-	-	-
Cost Value.....		\$ 8,281	-	-	-	-	8,281	-	-	-
Proceeds.....		\$ 8,281	-	-	-	-	8,281	-	-	-
Wheat:										
Quantity.....	Bushel	26,651	5,177	20,780	-	-	-	689	5	-
Cost Value.....		\$ 53,507	10,374	41,674	-	-	-	1,450	9	-
Proceeds.....		\$ 51,114	8,807	40,257	-	-	-	2,050	-	-
Wheat, Rolled:										
Quantity.....	Pound	22,626	-	-	-	-	-	-	22,626	-
Cost Value.....		\$ 1,402	-	-	-	-	-	-	1,402	-
Proceeds.....		\$ -	-	-	-	-	-	-	-	-
Wheat Flour:										
Quantity.....	Pound	413,107	-	-	-	-	-	-	413,107	-
Cost Value.....		\$ 24,312	-	-	-	-	-	-	24,312	-
Proceeds.....		\$ -	-	-	-	-	-	-	-	-
Bulgur:										
Quantity.....	Pound	5,441	-	-	-	-	-	1*	5,442	-
Cost Value.....		\$ 423	-	-	-	-	-	£/	423	-
Proceeds.....		\$ £/	-	-	-	-	-	£/	-	-
DESIGNATED NONBASIC COMMODITIES:										
Butter:										
Quantity.....	Pound	163,612	54	-	-	-	-	2,922	160,636	-
Cost Value.....		\$ 110,636	36	-	-	-	-	2,087	108,513	-
Proceeds.....		\$ 2,357	40	-	-	-	-	2,317	-	-
Butter Oil:										
Quantity.....	Pound	10,615	-	-	-	-	-	10,615	-	-
Cost Value.....		\$ 9,546	-	-	-	-	-	9,546	-	-
Proceeds.....		\$ 10,773	-	-	-	-	-	10,773	-	-
Cheese:										
Quantity.....	Pound	114,803	327	-	-	-	-	-	114,476	-
Cost Value.....		\$ 53,957	152	-	-	-	-	-	53,805	-
Proceeds.....		\$ 163	163	-	-	-	-	-	-	-
Ghee:										
Quantity.....	Pound	6,703	-	-	-	-	-	6,703	-	-
Cost Value.....		\$ 6,048	-	-	-	-	-	6,048	-	-
Proceeds.....		\$ 6,706	-	-	-	-	-	6,706	-	-
Milk, Dried:										
Quantity.....	Pound	429,859	681	22,449	-	-	-	285,772	120,957	-
Cost Value.....		\$ 92,285	139	4,487	-	-	-	61,060	26,599	-
Proceeds.....		\$ 68,117	126	2,183	-	-	-	65,808	-	-

(Continued on next page)

Table 4 (continued)

Agricultural Stabilization and Conservation Service
Commodity Credit CorporationDISPOSITION OF INVENTORIES ACQUIRED
UNDER THE PRICE-SUPPORT PROGRAM BY TYPE OF DISPOSITION
FISCAL YEAR 1968

(All Figures in Thousands)

COMMODITY AND ITEM	Unit of Measure	Total Dispositions a/	Sales for Dollars		Payment-in-Kind		Barter c/	P. L. 480 Title II d/	Donations		Transfers to Other Government Agencies
			Domestic	Export b/	Unrestricted Use	Export b/	Export	Export	Domestic e/	Domestic	
DESIGNATED NONBASIC COMMODITIES:											
(Continued)											
Barley:											
Quantity.....	Bushel	266	82	-	2	182	-	-	-	-	-
Cost Value.....		\$ 226	69	-	2	155	-	-	-	-	-
Proceeds.....		\$ 284	70	-	1*	215	-	-	-	-	-
Grain Sorghum:											
Quantity.....	Bushel	3,241	1,903	241	86	-	-	967	40	-	4
Cost Value.....		\$ 3,476	1,950	248	89	-	-	1,145	40	-	4
Proceeds.....		\$ 4,850	2,276	317	102	-	-	2,147	-	-	8
Honey:											
Quantity.....	Pound	4,008	746	-	-	-	-	-	3	-	3,259
Cost Value.....		\$ 629	87	-	-	-	-	-	f/	-	542
Proceeds.....		\$ 656	67	-	-	-	-	-	-	-	589
Oats:											
Quantity.....	Bushel	3,559	908	2,596	3	24	-	-	-	-	28
Cost Value.....		\$ 2,172	554	1,584	2	15	-	-	-	-	17
Proceeds.....		\$ 2,439	506	1,886	2	18	-	-	-	-	27
Oats, Rolled:											
Quantity.....	Pound	29,109	-	-	-	-	-	-	29,109	-	-
Cost Value.....		\$ 2,182	-	-	-	-	-	-	2,182	-	-
Proceeds.....		\$ -	-	-	-	-	-	-	-	-	-
Rye:											
Quantity.....	Bushel	866	183	427	13	243	-	-	-	-	-
Cost Value.....		\$ 917	190	455	14	258	-	-	-	-	-
Proceeds.....		\$ 1,054	165	560	13	316	-	-	-	-	-
Tung Oil:											
Quantity.....	Pound	14,822	14,822	-	-	-	-	-	-	-	-
Cost Value.....		\$ 3,591	3,591	-	-	-	-	-	-	-	-
Proceeds.....		\$ 1,755	1,755	-	-	-	-	-	-	-	-
OTHER NONBASIC COMMODITIES:											
Beans, Dry Edible:											
Quantity.....	Cwt.	1,814	800	-	-	-	-	342	672	-	-
Cost Value.....		\$ 13,210	5,619	-	-	-	-	2,384	5,207	-	-
Proceeds.....		\$ 8,950	6,350	-	-	-	-	2,600	-	-	-
Flaxseed:											
Quantity.....	Bushel	2,722	997	1,029	-	696	-	-	-	-	-
Cost Value.....		\$ 7,952	2,912	3,006	-	2,034	-	-	-	-	-
Proceeds.....		\$ 8,881	3,301	3,330	-	2,250	-	-	-	-	-
Soybeans:											
Quantity.....	Bushel	181	181	-	-	-	-	-	-	-	-
Cost Value.....		\$ 460	460	-	-	-	-	-	-	-	-
Proceeds.....		\$ 457	457	-	-	-	-	-	-	-	-
TOTAL AGRICULTURAL COMMODITIES:											
Cost Value.....		\$ 1,535,900	66,836	69,142	1,003,832	2,462	68,032	88,323	236,630	-	643
Proceeds.....		\$ 915,730	46,695	60,078	658,091	2,799	45,679	101,675	-	-	713
EXCHANGE COMMODITIES:											
Cost Value.....		\$ 25,891	-	-	-	-	-	-	-	-	25,891
Proceeds.....		\$ 25,888	-	-	-	-	-	-	-	-	25,888
TOTAL PRICE-SUPPORT PROGRAM:											
Cost Value.....		\$ 1,561,791	66,836	69,142	1,003,832	2,462	68,032	88,323	236,630	-	26,534
Proceeds.....		\$ 941,618	46,695	60,078	658,091	2,799	45,679	101,675	-	-	26,601

* Denotes negative item which results from adjustment of prior activity.

a/ Excludes inventory losses and other adjustments and related recoveries.

b/ Includes commodities subsequently exported and financed under P. L. 480.

c/ Proceeds represent exchange value of commodities

d/ Proceeds represent the Corporation's full investment amount charged to the statutory limitation. Investment is computed at values designed to recover for CCC all costs related to these disposals.

e/ Includes donations under Sections 202, 407, 416 and miscellaneous donations under various other authorizations.

f/ Less than five hundred.

Table 5

TOBACCO PRICE-SUPPORT LOAN ACTIVITY FOR FISCAL YEAR 1968

(All figures in millions)

Type	Loans Outstanding July 1, 1967		Loans Made July 1, 1967 Through June 30, 1968		Liquidation of Loan Collateral		Loans Outstanding June 30, 1968	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Burley	254.6	\$ 192.8	56.1	\$ 52.2	18.8	\$ 13.7	291.9	\$ 231.3
Flue-Cured ..	579.4	439.5	252.2	190.5	156.0	141.0	675.6	489.0
Other	87.2	46.5	6.3	3.4	25.8	14.2	67.7	35.7
Total	921.2	\$ 678.8	314.6	\$ 246.1	200.6	\$168.9	1,035.2	\$ 756.0

Table 6

DISPOSITIONS OF CCC INVENTORIES ACQUIRED UNDER
PRICE SUPPORT PROGRAMS DURING THE YEAR ENDING JUNE 30, 1968

DISPOSITION METHOD	DISPOSITIONS	PERCENT OF TOTAL DISPOSITIONS <u>1/</u> <u>2/</u>
(Cost Value in 1,000 Dollars)		
<u>Sales for Dollars</u>		
Domestic	66,836	4
Export	69,142	4
Total	<u>135,978</u>	<u>8</u>
<u>Barter</u>	68,032	4
<u>Payment-in-Kind</u>		
Unrestricted use	1,003,832	64
Export	2,462	<u>1</u>
Total	<u>1,006,294</u>	<u>65</u>
<u>Transfers</u>		
Domestic	26,534	2
<u>Donations</u>		
Domestic	236,630	15
Export, including Title II of Public Law 480	<u>88,323</u>	<u>6</u>
Total	<u>324,953</u>	<u>21</u>
 TOTAL	 1,561,791	 100%

1/ Fiscal Year 1968.

2/ Rounded to nearest percent.

Table 7

SALES OF COMMODITIES UNDER THE CCC EXPORT CREDIT SALES PROGRAM

COMMODITY	3/30/56-6/30/65	7/1/65-6/30/66	7/1/66-6/30/67	7/1/67-6/30/68	3/30/56-6/30/68
Barley	\$ 10,123,456	\$ 1,827,967	\$ 1,707,534	\$ 1,547,586	\$ 15,206,543
Beans	1,947,625				1,947,625
Butter	119,827	104,317			224,144
Corn	163,483,566	121,022,295	71,010,324	17,177,784	372,693,969
Cotton	68,179,575	16,069,348	38,362,395	47,914,492	170,525,810
Cottonseed Oil			964,780		964,780
Grain Sorghums	66,639,052	36,294,719	78,737,136	3,032,247	184,703,154
Gum Rosin	310,300				310,300
Non-fat Dry Milk	1,383,088				1,383,088
Oats	188,624				188,624
Rice	2,459,124	2,922,525	6,753,647	653,513	12,788,809
Soybean Oil		453,609	8,242,012	1,535,754	10,231,375
Tallow			1,333,789	1,528,084	2,861,873
Tobacco	11,749,719		15,881,491	14,071,300	41,702,510
Wheat	71,598,557	30,536,243	98,324,596	53,149,625	253,609,021
Wheat Flour		797,416	18,004,918		18,802,334
TOTALS	\$398,182,513	\$210,028,439	\$339,322,622	\$140,610,385	\$1,088,143,959

PART II

THE METHODS OF DISPOSITION TO BE UTILIZED AND THE ESTIMATED QUANTITIES THAT CAN BE SOLD OR DISPOSED OF DURING THE SUCCEEDING TWELVE MONTHS

The methods of sales and dispositions to be utilized and the estimated quantities that can be moved during the succeeding 12 months in 1968-69 are given in tables on pages 17 through 28. These tables also reflect the estimated inventories as of June 30, 1969.

EXPLANATION OF COMMODITY TABLES

Line 1 of each commodity table shows the CCC inventory for that commodity as of June 30, 1968.

Line 2 gives the estimated amount of the commodity which will come into CCC inventory between July 1, 1968, and June 30, 1969.

Line 3 is the sum of lines 1 and 2 and shows the total CCC supplies expected to be available for sale or other disposition during the year July 1, 1968, through June 30, 1969.

The estimated sales and dispositions through the various methods described in Part I and the Appendix for the Fiscal Year 1969 are given in lines under item 4. Dispositions under item 4 are all made from CCC stocks.

Line 5 shows the estimated remaining CCC inventory as of June 30, 1969.

BARLEY

	Bushels
1. CCC Inventory 6/30/68	5,899,113
2. Acquisition 7/1/68 - 6/30/69	9,000,000
3. Total available for sale or other disposition during FY 1969 (line 1 plus line 2)	14,899,113
4. <u>ESTIMATED DISPOSITIONS FROM CCC INVENTORY</u> 7/1/68 - 6/30/69	
A. Sales for Dollars:	
1. Domestic	2,000,000
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	
E. Donations (Domestic)	
F. Total Dispositions	2,000,000
5. Estimated CCC Inventory 6/30/69	12,899,113

BULGUR

	Pounds
1. CCC Inventory 6/30/68	2,928,350
2. Acquisition 7/1/68 - 6/30/69	489,071,650
3. Total available for sale or other disposition during FY 1969 (line 1 plus line 2)	492,000,000
4. <u>ESTIMATED DISPOSITIONS FROM CCC INVENTORY</u> 7/1/68 - 6/30/69	
A. Sales for Dollars:	
1. Domestic	
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	485,000,000
E. Donations (Domestic)	7,000,000
F. Total Dispositions	492,000,000
5. Estimated CCC Inventory 6/30/69	

CHEESE, BUTTER AND
BUTTER PRODUCTS

	Pounds	
	Cheese	Butter and Butter Products
1. CCC Inventory 6/30/68	61,416,796	190,631,000
2. Acquisition 7/1/68 - 6/30/69	95,900,000	177,600,000
3. Total available for sale or other disposition during FY 1969 (line 1 plus line 2)	157,316,796	368,231,017
4. <u>ESTIMATED DISPOSITIONS FROM CCC INVENTORY</u> <u>7/1/68 - 6/30/69</u>		
A. Sales for Dollars:		
1. Domestic		
2. Export		
B. Payment-in-Kind		
C. Barter (Export)		
D. PL 480: Title II, Foreign Donations		12,000,000
E. Donations (Domestic)	140,000,000	228,000,000
F. Total Dispositions	140,000,000	240,000,000
5. Estimated CCC Inventory 6/30/69	17,316,796	128,231,017

CORN

	Bushels
1. CCC Inventory 6/30/68	136,392,622
2. Acquisition 7/1/68 - 6/30/69	148,300,000
3. Total available for sale or other disposition during FY 1969 (line 1 plus line 2)	284,692,622
4. <u>ESTIMATED DISPOSITIONS FROM CCC INVENTORY</u> <u>7/1/68 - 6/30/69</u>	
A. Sales for Dollars:	
1. Domestic	24,325,000
2. Export	
B. Payment-in-Kind (Domestic)	10,000,000
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	5,375,000
E. Donations (Domestic)	
F. Total Dispositions	39,700,000
5. Estimated CCC Inventory 6/30/69	244,992,622

CORN PRODUCTS

	Pounds
1. CCC Inventory 6/30/68	3,561,000
2. Acquisition 7/1/68 - 6/30/69	456,439,000
3. Total available for sale or other disposition during FY 1969 (line 1 plus line 2)	460,000,000
4. <u>ESTIMATED DISPOSITIONS FROM CCC INVENTORY</u> 7/1/68 - 6/30/69	
A. Sales for Dollars:	
1. Domestic	
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	350,000,000
E. Donations (Domestic)	110,000,000
F. Total Dispositions	460,000,000
5. Estimated CCC Inventory 6/30/69	

COTTON

	Bales	
	Upland	Extra Long Staple
1. CCC Inventory 6/30/68	558,553	130,242
2. Acquisition 7/1/68 - 6/30/69		20,900
3. Total available for sale or other disposition during FY 1969 (line 1 plus line 2)	558,553	151,142
4. <u>ESTIMATED DISPOSITIONS FROM CCC INVENTORY</u> 7/1/68 - 6/30/69		
A. Sales for Dollars:		
1. Domestic		
2. Export		36,142
B. Payment-in-Kind (Domestic)	558,553	
C. Barter (Export)		
D. PL 480: Title II, Foreign Donations		
E. Donations (Domestic)		
F. Total Dispositions	558,553	36,142
5. Estimated CCC Inventory 6/30/69		115,000

BEANS, DRY EDIBLE

	Hundredweight
1. CCC Inventory 6/30/68	
2. Acquisition 7/1/68 - 6/30/69	300,000
3. Total available for sale or other disposition during FY 1969 (line 1 plus line 2)	300,000
4. <u>ESTIMATED DISPOSITIONS FROM CCC INVENTORY</u> 7/1/68 - 6/30/69	
A. Sales for Dollars:	
1. Domestic	100,000
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	
E. Donations (Domestic)	
F. Total Dispositions	100,000
5. Estimated CCC Inventory 6/30/69	200,000

FLAXSEED

	Bushels
1. CCC Inventory 6/30/68	2,114,576
2. Acquisition 7/1/68 - 6/30/69	2,100,000
3. Total available for sale or other disposition during FY 1969 (line 1 plus line 2)	4,214,576
4. <u>ESTIMATED DISPOSITIONS FROM CCC INVENTORY</u> 7/1/68 - 6/30/69	
A. Sales for Dollars:	
1. Domestic	
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	
E. Donations (Domestic)	
F. Total Dispositions	
5. Estimated CCC Inventory 6/30/69	4,214,576

GRAIN SORGHUMS

	Bushels
1. CCC Inventory 6/30/68	191,541,801
2. Acquisition 7/1/68 - 6/30/69	10,000,000
3. Total available for sale or other disposition during FY 1969 (line 1 plus line 2)	201,541,801
4. <u>ESTIMATED DISPOSITIONS FROM CCC INVENTORY</u> <u>7/1/68 - 6/30/69</u>	
A. Sales for Dollars:	
1. Domestic	6,200,000
2. Export	300,000
B. Payment-in-Kind (Domestic)	4,000,000
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	1,000,000
E. Donations (Domestic)	
F. Total Dispositions	11,500,000
5. Estimated CCC Inventory 6/30/69	190,041,801

HONEY

	Pounds
1. CCC Inventory 6/30/68	4,543,370
2. Acquisition 7/1/68 - 6/30/69	5,100,000
3. Total available for sale or other disposition during FY 1969 (line 1 plus line 2)	9,643,370
4. <u>ESTIMATED DISPOSITIONS FROM CCC INVENTORY</u> <u>7/1/68 - 6/30/69</u>	
A. Sales for Dollars:	
1. Domestic (Sec. 32)	5,500,000
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	
E. Donations (Domestic)	
F. Total Dispositions	5,500,000
5. Estimated CCC Inventory 6/30/69	4,143,370

LINSEED OIL

	Pounds
1. CCC Inventory 6/30/68	80,000,000
2. Acquisition 7/1/68 - 6/30/69	
3. Total available for sale or other disposition during FY 1969 (line 1 plus line 2)	80,000,000
4. <u>ESTIMATED DISPOSITIONS FROM CCC INVENTORY</u> 7/1/68 - 6/30/69	
A. Sales for Dollars:	
1. Domestic	
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	
E. Donations (Domestic)	
F. Total Dispositions	
5. Estimated CCC Inventory 6/30/69	80,000,000

MILK, NONFAT DRY

	Pounds
1. CCC Inventory 6/30/68	256,657,923
2. Acquisition 7/1/68 - 6/30/69	657,300,000
3. Total available for sale or other disposition during FY 1969 (line 1 plus line 2)	913,957,923
4. <u>ESTIMATED DISPOSITIONS FROM CCC INVENTORY</u> 7/1/68 - 6/30/69	
A. Sales for Dollars:	
1. Domestic	
2. Export	95,000,000
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	310,000,000
E. Donations (Domestic)	203,800,000
F. Total Dispositions	608,800,000
5. Estimated CCC Inventory 6/30/69	305,157,923

OATS

	Bushels
1. CCC Inventory 6/30/68	45,238,119
2. Acquisition 7/1/68 - 6/30/69	30,000,000
3. Total available for sale or other disposition during FY 1969 (line 1 plus line 2)	75,238,119
4. <u>ESTIMATED DISPOSITIONS FROM CCC INVENTORY</u> 7/1/68 - 6/30/69	
A. Sales for Dollars:	
1. Domestic	5,000,000
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	
E. Donations (Domestic)	
F. Total Dispositions	5,000,000
5. Estimated CCC Inventory 6/30/69	70,238,119

PEANUTS

	Pounds	
	Farmers' Stock	Shelled
1. CCC Inventory 6/30/68		9,501,951
2. Acquisition 7/1/68 - 6/30/69	300,000	172,500,000
3. Total available for sale or other disposition during FY 1969 (line 1 plus line 2)	300,000	182,001,951
4. <u>ESTIMATED DISPOSITIONS FROM CCC INVENTORY</u> 7/1/68 - 6/30/69		
A. Sales for Dollars:		
1. Domestic	300,000	180,500,000
2. Export		
B. Payment-in-Kind		
C. Barter (Export)		
D. PL 480: Title II, Foreign Donations		
E. Donations (Domestic)		
F. Total Dispositions	300,000	180,500,000
5. Estimated CCC Inventory 6/30/69		1,501,951

RICE

	Hundredweight	
	Rough	Milled
1. CCC Inventory 6/30/68	81,878	
2. Acquisition 7/1/68 - 6/30/69	10,000,000	1,100,000
3. Total available for sale or other disposition during FY 1969 (line 1 plus line 2)	10,081,878	1,100,000
4. <u>ESTIMATED DISPOSITIONS FROM CCC INVENTORY</u> 7/1/68 - 6/30/69		
A. Sales for Dollars:		
1. Domestic	500,000	
2. Export		
B. Payment-in-Kind		
C. Barter (Export)		
D. PL 480: Title II, Foreign Donations		441,000
E. Donations (Domestic)		659,000
F. Total Dispositions	500,000	1,100,000
5. Estimated CCC Inventory 6/30/69	9,581,878	

WHEAT, ROLLED

	Pounds
1. CCC Inventory 6/30/68	
2. Acquisition 7/1/68 - 6/30/69	115,300,000
3. Total available for sale or other disposition during FY 1969 (line 1 plus line 2)	115,300,000
4. <u>ESTIMATED DISPOSITIONS FROM CCC INVENTORY</u> 7/1/68 - 6/30/69	
A. Sales for Dollars:	
1. Domestic	
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	83,300,000
E. Donations (Domestic)	32,000,000
F. Total Dispositions	115,300,000
5. Estimated CCC Inventory 6/30/69	

RYE

	Bushels
1. CCC Inventory 6/30/68	7,957,472
2. Acquisition 7/1/68 - 6/30/69	2,000,000
3. Total available for sale or other disposition during FY 1969 (line 1 plus line 2)	9,957,472
4. <u>ESTIMATED DISPOSITIONS FROM CCC INVENTORY</u> 7/1/68 - 6/30/69	
A. Sales for Dollars:	
1. Domestic	2,500,000
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	
E. Donations (Domestic)	
F. Total Dispositions	2,500,000
5. Estimated CCC Inventory 6/30/69	7,457,472

SOYBEANS

	Bushels
1. CCC Inventory 6/30/68	7,565,402
2. Acquisition 7/1/68 - 6/30/69	45,000,000
3. Total available for sale or other disposition during FY 1969 (line 1 plus line 2)	52,565,402
4. <u>ESTIMATED DISPOSITIONS FROM CCC INVENTORY</u> 7/1/68 - 6/30/69	
A. Sales for Dollars:	
1. Domestic	
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	
E. Donations (Domestic)	
F. Total Dispositions	
5. Estimated CCC Inventory 6/30/69	52,565,402

TOBACCO

	Pounds
1. CCC Inventory 6/30/68	
2. Acquisition 7/1/68 - 6/30/69	35,000,000
3. Total available for sale or other disposition during FY 1969 (line 1 plus line 2)	35,000,000
4. <u>ESTIMATED DISPOSITIONS FROM CCC INVENTORY</u> 7/1/68 - 6/30/69	
A. Sales for Dollars:	
1. Domestic	
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	35,000,000
D. PL 480: Title II, Foreign Donations	
E. Donations (Domestic)	
F. Total Dispositions	35,000,000
5. Estimated CCC Inventory 6/30/69	

TUNG OIL

	Pounds
1. CCC Inventory 6/30/68	19,714,421
2. Acquisition 7/1/68 - 6/30/69	9,200,000
3. Total available for sale or other disposition during FY 1969 (line 1 plus line 2)	28,914,421
4. <u>ESTIMATED DISPOSITIONS FROM CCC INVENTORY</u> 7/1/68 - 6/30/69	
A. Sales for Dollars:	
1. Domestic	21,000,000
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	
E. Donations (Domestic)	
F. Total Dispositions	21,000,000
5. Estimated CCC Inventory 6/30/69	7,914,421

VEGETABLE OIL PRODUCTS

	Pounds
1. CCC Inventory 6/30/68	3,968,112
2. Acquisition 7/1/68 - 6/30/69	450,000,000
3. Total available for sale or other disposition during FY 1969 (line 1 plus line 2)	453,968,112
4. <u>ESTIMATED DISPOSITIONS FROM CCC INVENTORY</u> 7/1/68 - 6/30/69	
A. Sales for Dollars:	
1. Domestic	
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	200,000,000
E. Donations (Domestic)	
F. Total Dispositions	200,000,000
5. Estimated CCC Inventory 6/30/69	253,968,112

WHEAT

	Bushels
1. CCC Inventory 6/30/68	102,827,708
2. Acquisition 7/1/68 - 6/30/69	135,000,000
3. Total available for sale or other disposition during FY 1969 (line 1 plus line 2)	237,827,708
4. <u>ESTIMATED DISPOSITIONS FROM CCC INVENTORY</u> 7/1/68 - 6/30/69	
A. Sales for Dollars:	
1. Domestic	9,200,000
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	23,100,000
E. Donations (Domestic)	
F. Total Dispositions	32,300,000
5. Estimated CCC Inventory 6/30/69	205,527,708

WHEAT FLOUR

	Pounds
1. CCC Inventory 6/30/68	5,950,150
2. Acquisition 7/1/68 - 6/30/69	1,417,700,000
3. Total available for sale or other disposition during FY 1969 (line 1 plus line 2)	1,423,650,150
4. <u>ESTIMATED DISPOSITIONS FROM CCC INVENTORY</u> <u>7/1/68 - 6/30/69</u>	
A. Sales for Dollars:	
1. Domestic	
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	925,150,150
E. Donations (Domestic)	498,500,000
F. Total Dispositions	1,423,650,150
5. Estimated CCC Inventory 6/30/69	

PART III

PROGRAM FOR THE EXPANSION OF MARKETS FOR SURPLUS AGRICULTURAL COMMODITIES THROUGH MARKETING AND UTILIZATION RESEARCH AND IMPROVEMENT OF MARKETING FACILITIES

This part of the report contains examples of accomplishments in USDA research that may be of special interest to the Congress.

UTILIZATION RESEARCH AND DEVELOPMENT

A. Catalyst for Producing Improved Edible Soybean Oil Commercialized

A catalyst developed by Department scientists for use in production of edible soybean oil having improved flavor stability is now available commercially. The catalyst, a specially activated compound containing copper and chromium, is highly effective in treatment of soybean oil with hydrogen for selective removal of linolenate, the unstable (triply-unsaturated) component of the oil. Oils containing less than 1 percent of linolenate are easily produced with the aid of the new catalyst. At the same time, the content of nutritionally desirable linoleate (doubly-unsaturated) component is increased. Since no hardening of the oil takes place, winterizing to eliminate hardened products is unnecessary. It is anticipated that treated oils will have the stability needed to withstand storage and transportation for foreign marketing. This development will substantially enhance the possibilities for soybeans to play a major role in overcoming the annual world food deficit of 4 billion pounds of food fats and oils.

B. SRRL Bale Opener-Blender Ready for Commercialization after Successful Mill Trials

Recent commercial mill tests of the cotton Bale Opener-Blender have proved this to be one of the most promising textile machines yet developed by Department scientists. These tests proved that the BOB was capable of processing 1200 lbs/hr continuously round the clock and 2000 lbs/hr intermittently--many times the production of a conventional blender. In addition to its speed, the BOB has many other advantages. It reduces the number of bales required in a mix from 43 to 20. It replaces seven machines used in a three-picker opening line. Its feed control compensates for irregularities in size and density of the bales and renders the machine completely automatic except for loading. But the ultimate criterion, of course, is the quality of fabric produced from the blended cotton, and here the BOB excels: the resulting fabric was 30% higher in grade than

that produced from cotton processed by a conventional hopper feeder system. Use of the BOB will reduce costs an estimated one-fourth cent per pound of cotton processed.

C. Soil Release Finish Improves Cotton's Position in the Durable-Press Market

An estimated two million bales of cotton are used annually for end uses in which soil resistance and ease of soil removal are of significant importance. Research by USDA scientists has led to the commercial production of wash-wear and durable-press cottons that soil less readily, clean more easily, and stay brighter during their service life. This enhancement of cotton's position in a lucrative market was achieved by the development of a practical soil release finish that simultaneously imparts wash-wear or durable-press properties to cotton. The finish is durable to repeated laundering and dry cleaning, and its application does not adversely affect either the color or the tensile strength of the cotton. Within a short time after publication of information about the new soil release finish, the textile industry and chemical manufacturers announced production of at least twelve soil release agents, most--if not all--of which are similar to the one described by the Department researchers. Since then, commercial interest has continued at a high level.

D. More Efficient Rice Drying

Department scientists have helped the rice drying industry handle the rapidly increasing demand for dryer capacity. Utilization research showed that increasing the air temperatures and shortening the tempering periods between multiple passes in columnar dryers resulted in increased capacity, increased yield of whole kernels, and more efficient use of heat. The new techniques, aided by better control methods, increase the capacity of existing dryers by 40%. The improved process, now in extensive commercial use, permits the industry to handle substantially increased drying loads without construction of new dryers. Potential annual savings are \$2,000,000 for Western rice producers alone.

E. Frozen, Quick-Cooking Beans

A process for preparing a variety of quick-cooking frozen products from dry Lima, pinto, small white, blackeye and soy beans has been developed by Department scientists, supported in part by the California Lima Bean Advisory Board. The cooked beans have an enhanced natural flavor, a smooth uniform texture, and excellent appearance. The new products provide consumers with a new type of economical, high protein, convenience foods. Frozen food processors can produce them during their slack season, when plants would otherwise be idle. Since the products can be produced on demand, warehousing costs can be reduced. The frozen

bean products will provide opportunities for the development and marketing of convenience foods such as a frozen vegetable, soup mixes, and bean-meat casseroles. Pilot plant production of frozen, quick-cooking products from several types of dry beans has been initiated by two leading frozen food processors.

F. Starch-Based Reinforcing Agents for Rubber-- A New Technology

In studies to increase industrial uses for cereal starches, Department scientists have developed three starch-based reinforcing agents for rubber (zinc starch xanthate, starch xanthide, and starch-resorcinol-formaldehyde resin). These starch derivatives have been shown to be comparable to medium grade carbon black and superior to common clays in improving tensile strength and most other physical properties of natural and synthetic rubbers. The starch-reinforced rubbers should be competitive with conventional rubbers in a number of applications and superior in others. Various types of the starch reinforced rubbers are being evaluated by industry as general purpose molding compounds, white sidewalls for tires, tire carcass compounds, shoe soling, and fuel resistant hose. Current annual domestic consumption of black and nonblack reinforcing agents in rubber is approximately 5 billion pounds; thus, the potential market for starch-based reinforcing agents is exceedingly large.

EXPANDING DOMESTIC MARKETS

A. Product Innovations and Industrial Uses

Marketing economics studies are made of the market potentials for new products and of the market requirements for new products in terms of costs and performance.

A test of sterilized milk concentrate indicates that institutional markets represent a potential of nearly $3/4$ of a billion pounds of fluid milk equivalent per year. Such use of a concentrate would be approximately $1/6$ of the present institutional utilization of whole milk, 2-percent milk, skim milk, and cream. The main advantages of sterilized milk concentrate appear to be long shelf life, savings in refrigeration space, convenience, superiority over powdered milk, and in the number of ways it may be used.

More than 10 years have been spent in developing a beverage-quality vacuum-foam dry whole milk product. In a 12-week market test, spring 1968, approximately 280 cases of 24 quart can equivalents were sold. This represented an extremely high rate of sales per store. Prospects for commercial success appear promising. One unexpected appeal to consumers was the substantial number of sales for camping and other vacation trips.

A pilot sales test of a skim milk cheese has been carried out. The test product is a natural type low fat cheese with an average composition

of 6 percent milk fat, 56 percent moisture, 36 percent nonfat milk solids, and 2 percent salt. Sales of this new cheese did not significantly affect the sales of other types including Munster, Colby, Cheddar, imitation processed, and American processed. The product evidently has its greatest appeal to cheese eaters who must watch their diets. Because of its low milk-fat, this new cheese can be produced at significantly lower prices than other natural type cheeses.

A continuing cooperative research effort with ARS is carried out as potential new crops emerge through the agronomic appraisal program. An analysis was made to assess the economic feasibility of a new annual paper crop, kenaf, as a paper-making fiber for the Southeast. Estimated costs of producing and harvesting kenaf in ten farming areas of the South were significantly below average costs of rail roundwood delivered to mills.

Long range possibilities are favorable for expanded use of soyprotein in foods in both foreign and domestic markets. The problem of undesirable taste is being overcome in most food uses and the use of soyprotein in foods is increasing at an annual rate of 5 to 7 percent.

B. The Food Service Industry and Food Distribution Programs

Comprehensive data on the size and nature of the away from home market for food have been published. Many changes appear to be in prospect for the food service industry which has annual retail sales of about 22 billion dollars. Some of these are growth of the industry because of population increases, rising family incomes, more leisure time and travel, and an increased proportion of working wives. In 1965, eating places accounted for almost 50 percent of the total value of food consumed away from home. Sales of this segment rose over 58 percent between 1960 and 1966 and in constant dollars, 36 percent. During the same period, grocery store sales increased only 14 percent in constant dollars. Further research is in process.

A survey of the school lunch and other food programs has been undertaken. The Bureau of the Census collected data for the Department from a nationwide sample of public and private schools on the current status of food services, including availability of each type of service, participation rates, cost to the school, financial assistance, number of needy children and related information. These data are now being analyzed.

A comprehensive study is being planned in a large metropolitan area to examine in depth the extent of food stamp program participation and reasons for nonparticipation by eligible poor.

C. Promotional Program for Farm Products

Promotion is a major element of marketing strategy. Agricultural commodity groups are spending over 100 million dollars annually to strengthen the demand for their products. Since a majority of these groups have small budgets, it is important that these funds be used with maximum effectiveness. Past research has indicated that the extent of cooperation from the wholesale-retail trade is a major factor in the success of commodity promotional campaigns. Yet, trade representatives indicate they do not participate in many campaigns. Research has been initiated to determine the factors relating to trade participation, and to develop guidelines for commodity groups to plan programs that will obtain greater support, thus making more effective use of promotion dollars.

An appraisal, in cooperation with Texas A&M, was made of the impact of low intensity newspaper advertising for lamb in two major metropolitan areas. Results suggest that such advertising influences only consumers who are acquainted with the product. Nevertheless, the advertising by the American Lamb Council stressing utilization of various cuts and recipes did influence the content of retailers' advertising.

IMPROVED MARKETING AND TRANSPORTATION FACILITIES, EQUIPMENT AND METHODS

Marketing research and facility improvement are concerned with the structures, equipment, containers, devices, work methods, and operating procedures used in marketing and transporting farm and food products from the farm to the consumers. They seek to find ways to improve the physical elements and handling methods to increase their efficiency and effectiveness in performing the numerous operations involved, increase labor productivity, and help hold down marketing costs. In 1967, it cost \$28 billion for growing the food for the consumer and \$58 billion for marketing it.

Facility improvement in the producing areas consisted of drawing plans for 21 poultry and egg, fruit and vegetable, and dairy products marketing facilities. These facilities are designed and constructed to be used as models in the industry.

Marketing research in the producing areas concerned: (1) the optimum utilization of automation in dairy product plants; (2) handling and storing cotton and cottonseed; (3) drying and storing corn, wheat, sorghum grain, rice, peanuts and tobacco; (4) handling, conditioning, storing, cleaning, sizing and packing potatoes, citrus fruits, deciduous fruits, vegetables and nuts; (5) operating procedures, equipment--including automated systems--and facility layouts for receiving, selling, shipping

and slaughtering livestock and handling, fabricating, processing, storing and shipping meat and animal byproducts; and (6) designing, constructing and testing new or improved equipment, layouts, and work methods for poultry processing and egg grading and packing plants.

Research to improve transport facilities, equipment, packages, and containers was done to decrease the cost of moving farm products to domestic and overseas markets. Research to develop a multipurpose van container continued on a 40-foot prototype of this container designed for intermodal transport of refrigerated and non-refrigerated products by land, sea and air. Overseas transport tests continued with a number of products loaded in van containers at interior points in this country and unloaded at inland markets overseas. Considerable research is underway to improve the refrigeration systems of trucks. Unitized and palletized loading and transport research is designed to lower costs of handling and shipping.

Urban food distribution facilities were planned, built or expanded in a number of centers this year. The New England Produce Center in Boston began operations in February and facilities for meat and other products are under construction. The new Regional Food Market in Springfield, Massachusetts, was opened this year. Sites for new facilities for Baltimore and Milwaukee have been selected and final plans for building them are being made. Plans to expand New York City's new Hunts Point market from a fruit and vegetable facility to a food distribution center have been developed. Studies to improve the distribution of food in Cincinnati, Oakland, Honolulu, Salt Lake City, and Minneapolis were completed. A study to improve urban distribution was begun in Los Angeles where 1200 food distributors are involved. Plans to expand facilities previously built in Greenville and Columbia, South Carolina, and Raleigh, North Carolina, were developed. Research results showed that a centralized system to supply refrigeration to all distributors in a market is more economical to build and operate than for each firm to install its own refrigeration.

Marketing research to hold down food costs to the consumer and thereby increase its consumption was given major emphasis in the work with wholesalers, retailers and the food service industry. Recently released census figures show that since the research was started in the early 1950's, increased labor efficiency of wholesalers and retailers has offset increased wages. Hourly labor costs increased from an index of 107 in 1939 to 341 in 1954, approximately a threefold increase. During the same period, unit labor costs (the cost of handling a single unit at retail) increased from 80 to 174, approximately a twofold increase. From 1954 to 1963, the index for hourly labor costs increased from 341 to 475, an increase of 135 points, while unit labor costs decreased from 174 to 170. Thus, during the time the research program has been effective,

increased hourly wages have been more than offset by increased labor efficiency and thereby saved the consumer billions of dollars. Industry spokesmen give the Department's research program the major share of credit for furnishing the technical information and leadership in making their performance possible.

FOREST PRODUCTS MARKETING AND UTILIZATION RESEARCH

The Forest Products Laboratory and the Regional Experiment Stations of the Forest Service conduct a continuing program of research to develop new uses and expand markets for wood. Emphasis is given to utilization and marketing of surplus low-quality timber, little-used species, and unused residues. Examples of research are as follows:

A new system of light frame construction called "Nu-frame" has recently been developed and tested. The system includes new types of wall and roof framing and new covering components for exterior and interior walls, roof, and ceilings. The method utilizes standard materials, but there are differences in the combination of elements, member spacing and alignment. The system was developed to produce a quality house at lower cost by judicious use of low-grade wood materials and prefabricated components, and rapid field assembly practices. A 28- by 40-foot experimental house has been completed. Time and material cost studies showed a saving in on-site labor for walls and roofs as well as lower material costs. This system utilizes 2 to 3 thousand more board feet of lumber, but it is mostly in low-grade dimension and boards, which are little used in today's conventional wood-frame homes. The overall savings from using the Nu-frame system as compared to conventional systems is estimated to average about 10 percent, or about \$2,000 for a \$20,000 house.

The potential annual supply of thinnings from southern pine plantations already in existence is about 3 million cords, or almost 10 percent of the current annual pulpwood consumption of southern mills. Due to increased pressures to pulp younger trees in the rapidly expanding southern forest economy, there is increased interest in the pulping and papermaking qualities of thinnings. Research has shown that Kraft pulps from pine thinnings can be used to make paper that is softer and more flexible than that made from more mature trees. These qualities are important for tissue and toweling papers. The physical characteristics of pulp from southern pine thinnings are similar to those of northern softwood pulps, and their flexibility aids in good sheet formation and surface smoothness, important in printing papers. Assurance that good pulp quality can be obtained from young plantation trees should encourage their removal as thinnings from natural forests and enhance the growth of remaining trees.

Wood will play an increasingly important dual role in livestock feeding--as roughage and as a source of carbohydrate. Research has shown that sawdust mixed with feed grain provides a satisfactory roughage ration for ruminants. The importance of this lies in the current trend toward the finish-feeding of livestock with high-concentrate diets at large feed yards. Some yards are located in areas where hay roughage is scarce and costly but wood is relatively plentiful. Research under way indicates that wood may also furnish some of the carbohydrate required by ruminants. Animals cannot directly digest the carbohydrate in wood as they do in hay, but Forest Service chemists, working in cooperation with several universities are experimenting with various methods of making wood digestible.

Production of pulp chips from slabs and edgings is often recommended as a means of increasing efficiency and profitability of hardwood sawmills. Case studies of seven mills in Ohio, Kentucky, and Tennessee showed that, at current chip prices, chip production yielded a profit in five of the seven cases examined. When reduction in lumber production costs attributable to chipping was considered along with the returns from chips, chipping operations were profitable in every case.

Hardwood sawmill operators who produce both lumber and sawed timbers make more money than if they sawed only lumber. But few operators realize that they could make even greater profits if they confined sawed timber production to the lowest grade logs of the least valuable species. In this way, the average small sawmill operator in Appalachia can increase his earnings and at the same time promote more efficient use of an abundant timber resource.

FARMER COOPERATIVES

Cooperatives market about 25 percent of the Nation's agricultural products, and they ship a substantial share of the \$6.7 billion in farm products exported each year.

Farmer co-ops are expanding their export facilities and also increasing their sales activities abroad, including participation in trade fairs and other promotional events.

In 1968 at New Orleans the first grain moved through a new \$20 million export elevator constructed by regional grain co-ops of the midwest. The facility is designed to handle over 100 million bushels of grain and oilseeds annually for export.

In addition to the one at New Orleans, co-op export elevators are now located at Houston, and Corpus Christi, Texas; Kalama, Washington; Charleston, S.C.; Toledo, Ohio; Saginaw, Michigan; Chicago; and Superior, Wisconsin.

Co-ops often make record breaking export sales. In 1968 the Rice Growers Association of California, Sacramento; Farmers Rice Cooperative, San Francisco; and two independent mills made the largest single sale of rice in this country's history. The amount was 200,000 tons--\$32 million worth--of rice to South Korean importers.

Producers Grain Corporation, Amarillo, Texas, a member of Producers Export Company, Kansas City, sold 200,000 tons of grain sorghum to the Japanese agricultural cooperative Zenkoren, the world's largest single buyer of U.S. grains. The sale came out of a visit to Japan by a U.S. cooperative feed grain promotion team.

Cotton Producers Association, Atlanta, ships around 150,000 bales of cotton annually and also exports pecans and peanuts. It is the largest U.S. exporter of broilers--marketing 20 percent of the co-op's total production.

Co-ops export most every type of farm product, some marketing up to 50 percent of their volume abroad. Over the years, 12 farmer co-ops have earned the Presidential "E" Awards for contributions toward improving U.S. balance of payments. Farmer Cooperative Service continues to conduct feasibility studies and provide advisory services specifically designed to help co-ops strengthen their activities related to export marketing.

PROMOTION OF EXPORTS

Once again joint government-industry cooperation in the field of foreign market development for U.S. agricultural products demonstrated the effectiveness of working together. Strong programs are becoming extremely important as competition in foreign markets grows more intense and as other nations step up promotion programs in major world markets. Total agricultural exports were \$6.3 billion in fiscal 1968, of which \$5.1 billion were commercial sales (including barter).

The program covers practically all U.S. agricultural commodities moving in world trade. In fiscal 1968 forestry products promotions were included for the first time, and this program is expected to grow.

Major developments during the year were:

A solo U.S. agricultural exhibit, the American Festival, was held in Tokyo. The exhibit was supported by a strong U.S. trade mission to Japan (including Secretary Freeman and a number of State governors). In-store promotions were held in department and chain stores in major Japanese population centers. The show generated almost a million dollars worth of publicity. Twelve States exhibited in a Hall-of-States to lend additional support to the cooperators and commercial firms.

Emphasis was placed on bringing foreign trade teams to the United States. This approach has proven effective in acquainting foreign buyers with the wide selection of products available in the United States.

New emphasis was placed on exports of breeding livestock through a program of stepped-up overseas visits by USDA representatives and breed association officials. A single visit to Chile resulted in sales of 5,150 head of U.S. beef breeding stock.

Technical services to support export sales of bulk commodities were increased.

Programs designed to reach consumers with broad promotional messages and to support brand efforts to enter new markets or expand market shares were increased. A number of new brand programs for Florida orange juice in Europe were launched. Sales in this program, financed by FAS, the Florida Citrus Commission, and juice distributors, generally exceeded targets. This success promoted additional programs; in the spring of 1968 a total of 34 programs in eleven countries were submitted for fiscal 1969.

In-store promotion program was expanded. Last year sales through these promotions reached \$1.3 million in seven countries--Denmark, France, Germany, Israel, Netherlands, Sweden and the Philippines. Additional sales of U.S. foods following these promotions amounted to more than \$8 million.

PART IV

RECOMMENDATIONS FOR ADDITIONAL LEGISLATION NECESSARY TO

ACCOMPLISH THE PURPOSES OF THIS SECTION

The Department has no legislative recommendations to submit at this time, but proposals may be submitted at a later date.

APPENDIX

LEGISLATIVE AUTHORITIES FOR DISPOSITION OF CCC STOCKS AND CCC FINANCING OF EXPORT SALES FROM PRIVATE AND CCC-OWNED STOCKS

(Fiscal Year 1968)

1. DOLLAR SALES

Domestic

Section 407 of the Agricultural Act of 1949, as amended, places certain restrictions on domestic sales of CCC-owned commodities. Under this section the general rule is that CCC may not sell for unrestricted use any basic agricultural commodity or storable non-basic commodity at less than five percent above the current support price plus reasonable carrying charges.

The Food and Agriculture Act of 1965, as extended, permits the delivery of cotton at not less than the current loan rate in exchange for payment-in-kind certificates issued with respect to the 1966-1970 crops of cotton and rights in the pool of such certificates.

That Act also permits CCC to deliver feed grains, valued at not less than the current loan rate plus reasonable carrying charges, in redemption of payment-in-kind certificates issued under the feed grain diversion and price support programs and in redemption of rights in the pool of such certificates.

Export

Section 407 of the Agricultural Act of 1949, as amended, authorizes the sales of CCC-owned commodities for export without price restriction. Sales for export include sales made on condition that commodities of the same kind of comparable value or quantity be exported in raw or processed form.

Specific authorities with respect to export sales of cotton are as follows:

1. Section 203 of the Agricultural Act of 1956 directs CCC to encourage the export of cotton by offering to make cotton available at prices not in excess of the level of prices at which cotton of comparable qualities is being offered in substantial quantities by other exporting countries. Such quantities of cotton are to be sold as will re-establish and maintain the fair historical share (as determined by the Secretary of Agriculture) of the world market for U.S. cotton.

2. Public Law 88-638 directs CCC to make available for sale for export, domestic extra-long staple cotton acquired through price support operations at prices not in excess of prices at which cotton of comparable qualities is being offered by other exporting countries.

CCC Export Credit Sales Program

Under authority of Section 4 of Public Law 89-808, CCC now provides export financing of commodities from privately owned stocks. CCC export financing is accomplished through the purchase of the exporters' accounts receivable upon presentation of documents after export. Other basic provisions of the program have been continued. The maximum period of deferred payment is still three years and the general policy of limiting credit periods to 12 months for cotton, tobacco, and vegetable oils and 6 months for all other commodities has been retained. Written justification in accordance with criteria set forth in the credit regulations, GSM-4, must be made for exceptions to this policy. Interest is charged at the applicable rate announced each month by CCC and runs for the length of the credit period. All financing arrangements are made with private U.S. exporters who in turn sell and pass on credit to the foreign buyers. A standby-type letter of credit from an acceptable foreign or U.S. bank assuring payment is required for all transactions. If the letter of credit is issued by a foreign bank, it must be confirmed for commercial risks at least 10 percent and be fully advised by a U.S. bank. United States banks issuing letters of credit covering CCC credit financing assume political as well as commercial risks.

Title I, Public Law 480

Under the dollar credit sales authority of Title I, as amended, the President may enter into agreements with the governments of friendly nations and the Secretary of Agriculture may enter into agreements with the U.S. or foreign private trade providing for the financing of the sale and exportation of agricultural commodities for dollars on long term credit.

No commodity may be made available for disposition under PL 480 "if such disposition would reduce the domestic supply of such commodity below that needed to meet domestic requirements, adequate carryover, and anticipated exports for dollars as determined by the Secretary of Agriculture at the time of exportation of such commodity." Eligible commodities need not be under CCC price support or in CCC inventory.

A - Government-to-Government Agreements

Program Policies

Country Eligibility. Although the legislation authorizes sales agreements with the government of any country friendly to the United States, government-to-government agreements are, as a general rule, limited to the less highly developed countries. Eligibility of any friendly country is generally determined on the basis of the country's financial status and its ability to undertake purchases of agricultural commodities on a dollar basis. Due consideration is given to the use of the commodities and credit in connection with the country's economic development, the ability of the country to purchase commodities under a PL 480 agreement without displacing commercial imports from the U.S. and other friendly supplying countries, and other relevant factors, such as "self-help" measures.

Supply Period. While the legislation provides that commodities financed by CCC may be supplied for periods of up to 10 years, as noted above they must be "available" at the time deliveries are to be made. Because of this requirement and the uncertainty as to future availability of any particular agricultural commodity, it has been the general policy to approve supply periods of only one year.

Payment Period, Payment Schedules, and Interest Rate. The legislation directs that payment for commodities purchased for dollars on credit shall be on terms as favorable to the United States as the economy of the recipient country will permit. Whenever practicable, the agreements must require that not less than 5 percent of the purchase price of the commodities be payable upon delivery in dollars or in currencies which can be converted into dollars. The legislation provides that payments in dollars may be made in reasonable annual amounts over periods not to exceed 20 years from the date of last delivery of commodities in each calendar year.

The initial payment of principal may be scheduled as late as two years after such date of last delivery with interest computed from the date of such last delivery. Prepayment of principal and interest is permitted if the other government desires to retire the obligation at a faster rate.

Interest is paid at the same time as principal payments except that, when the first installment payment on principal is scheduled to be made at the end of the maximum two year "grace period", the first payment of interest generally is scheduled to be made one year after the date of the last delivery of commodities. In the case of agreements with two year grace periods, the second payment of interest is made at the same time as the first payment on principal.

Agreements. Dollar credit sales agreements set forth the commodity composition, financing terms and conditions, general undertakings and other requirements. The agreements, as appropriate, include provisions to ensure that commercial exports of the United States will be maintained and that commodities which are supplied under the agreement do not unduly disrupt world prices or agricultural commodities or normal patterns of commercial trade with friendly countries. The sales agreement also provides that the commodities purchased under the agreement are for domestic consumption within the purchasing country and shall not be trans-shipped or re-exported. As appropriate, agreements also provide for limitations on exports of the same or like commodities, or primary products thereof, during the period covered by the agreement.

Negotiation of a dollar credit sales agreement includes a formal understanding that the two governments shall agree on the use of the local currency proceeds from the sale of the PL 480 commodities under the agreement. These understandings, particularly in those instances where interest rates are set at less than the cost of funds to the U.S. Treasury, generally would include specific understandings providing for mutual agreement with regard to interest rates and other terms of any relending to private or nongovernmental entities of the local currency proceeds from the sale of the commodities within the purchasing country.

Convertible Foreign Currency Credit Sales. To the extent that transition from foreign currency sales to dollar credit sales is not possible, transition to convertible foreign currency credit sales is authorized on terms which permit conversion to dollars at the exchange rate applicable to the sales agreement. Credit terms are to be no less favorable to the United States than those for development loans made under section 201 of the Foreign Assistance Act of 1961, as amended. This authorizes convertible foreign currency credit sales to be made on the basis of payment in 40 years with a 10-year grace period.

B - Private Trade Agreements

Eligibility of Private Trade Entities

A private trade entity of the United States or of a foreign country friendly to the United States may participate in this program. The private trade entity, which must be engaged in private enterprise or non-governmental activity, may be an individual, a partnership, a corporation, a cooperative, or an association. Agreements are entered into with the individual or organization which will utilize the benefits of the credit in carrying out the project under the agreement and which otherwise meets program requirements.

Eligibility of Countries

Under the dollar credit sales legislation, exports of agricultural commodities under a private trade agreement may be made to any nation friendly to the United States provided such exports do not displace cash sales which would otherwise be made.

Supply Periods

Supply periods are determined on a case-by-case basis and generally are not authorized for periods in excess of three years. Longer supply periods (within the maximum of 10 years as provided in the legislation) may be authorized where the commodity supply situation permits such longer-term programing and the specific proposal for such longer supply period is otherwise deemed essential to the accomplishment of the project and the purpose of the legislation.

Maintenance of Commercial Sales

The financing of commodities under a private trade agreement is conditioned on the maintenance of specified quantities of commercial imports into the destination country and the limitation of exports from such country of the same or like commodities. In the case of countries which are major commercial markets for the United States it would be difficult, as a general rule, to establish that sales under a private trade agreement would be additional to commercial imports. Therefore, it is not contemplated that favorable consideration will be given to proposals involving the financing of the export of agricultural commodities to such countries.

Assurance of Payment

Payment to CCC of dollar amounts financed under the private trade agreement must be guaranteed by assurers (guarantors) acceptable to CCC. The guarantee shall be an irrevocable commitment by the guarantor that, in the event of default by the private trade entity in the payment of principal and interest due CCC or in carrying out of its other obligations under the agreement, the guarantor shall make appropriate payment of principal and interest to CCC.

Guarantors may be United States banks or financial institutions, foreign private banks or financial institutions located in a friendly country, central banks or governmental financial agencies or the governments of friendly nations.

Payment Period, Interest Rate and Payment Schedules

In accordance with Section 103(k) of the Act, agreements require payment on delivery of five percent of the purchase price of the commodity. The amount financed by CCC may be repaid over periods of not to exceed 20 years from the date of the last delivery of commodities in each calendar year, usually in equal annual installments, plus interest. The first installment is due on the date specified in the agreement. Such date can be no later than December 31 of the year following the calendar year in which the commodities are delivered. Subsequent annual installments are due on the anniversary dates of the first installment. Interest on principal amounts applicable to commodities delivered in each calendar year is charged at rates of interest set at the cost of funds to the United States Treasury for comparable maturities. Interest accrues from the date of last delivery of commodities in each calendar year. Interest on the unpaid principal balance must be paid annually not later than the date on which the annual installment of principal is due.

Prepayment of principal and interest may be made by the private trade entity without penalty. Payment periods are established in relation to the project to be carried out by the private trade entity.

The Project

Private trade agreements provide for the development and execution of projects which will result in the establishment of facilities designed to improve the storage or marketing of agricultural commodities, or which will otherwise stimulate and expand private economic enterprise. Such projects are financed with funds derived from the sale or use of the financed commodities. Special consideration is given to the development and expansion of foreign markets for United States agricultural commodities, with appropriate emphasis on more adequate storage, handling and food distribution facilities as well as long-term development of new expanded markets by encouraging economic growth.

Section 32 Funds

Long standing authority for encouraging exports is found in Section 32 of PL 320, 74th Congress, as amended, which was originally approved on August 24, 1935. This Act appropriates an amount equal to 30 percent of gross customs receipts for each calendar year, for use in the succeeding fiscal year, to encourage the exportation and domestic consumption of agricultural commodities and for other purposes. Section 205 of the Agricultural Act of 1956 authorized the appropriation for each fiscal year, beginning with the fiscal year ending June 30, 1957,

of \$500 million to enable the Secretary of Agriculture to further carry out the provisions of Section 32, subject to all provisions of law relating to the expenditure of funds appropriated by such Section, except that up to 50 percent of the \$500 million may be devoted during any fiscal year to any one agricultural commodity or the products thereof. Since January 1, 1950, a carry-over of up to \$300 million of unexpended funds has been authorized. Section 32 funds are required to be used principally for perishable "non-basic" commodities, other than those receiving mandatory support under the 1949 Act, and their products.

Export programs under Section 32 are announced after the Secretary of Agriculture finds that a surplus exists. Export allowances are paid to commercial exporters following the export of privately-owned commodities. Only a small portion of the available Section 32 funds has been used for export allowances in recent years. During a portion of Fiscal Year 1967, Section 32 funds were utilized and are currently being utilized to encourage the export of frozen chickens.

2. BARTER

Without limiting the general authority contained in the Commodity Credit Corporation Charter Act several legislative authorities specifically cover barter by CCC of commodities for strategic materials or for certain other materials, goods, and equipment. Section 4(h) of the Charter Act authorizes the barter of CCC commodities for strategic and critical materials produced abroad. Section 303 of the Agricultural Trade Development and Assistance Act of 1954, as amended, provides that the Secretary shall, whenever he determines that such action is in the best interest of the United States, and to the maximum extent practicable, barter or exchange agricultural commodities owned by the Commodity Credit Corporation for (a) such strategic or other materials of which the United States does not domestically produce its requirements and which entail less risk of loss through deterioration or substantially less storage charges as the President may designate, or (b) materials, goods, or equipment required in connection with foreign economic and military aid and assistance programs, or (c) materials or equipment required in substantial quantities for off-shore construction programs. Barter under (a) is limited to materials originating in the country to which the agricultural commodities are exported and to arrangements preventing resale or transshipment of the agricultural commodities to other countries. Section 416 of the Agricultural Act of 1949, as amended, authorizes CCC to (a) make its commodities available to any federal agency for use in making payment for commodities not produced

in the United States, and (b) barter or exchange such commodities for strategic or other materials as authorized by law. Also see Public Law 87-651, as amended. 1/

Recently, a thorough review of the barter program was made by the Executive Stockpile Committee (membership appointed by the President). Based on recommendations by the Committee, and approved by the President, greater emphasis than in the past will be given to the use of barter for the procurement of non-strategic-material items which meet approved program requirements of U.S. Government agencies within funds currently available or within procurement authority which extends over a period of years and for which dollars would normally be spent abroad.

3. SALES FOR FOREIGN CURRENCIES

Title I, Public Law 480, as amended, authorizes the financing of sales for foreign currencies of U.S. agricultural commodities determined to be available for Public Law 480 use. These sales are made through private trade channels pursuant to Government-to-Government agreements with friendly nations. P.L. 89-808 provided that steps should be taken to assure a progressive transition from sales for foreign currencies to sales for dollars at a rate whereby the transition could be completed by December 31, 1971. Public Law 90-436 extended Title I of P.L. 480 through December 31, 1970.

1/ Section 209(a), Public Law 87-651, authorizes the Secretary of Defense to construct or acquire by lease or otherwise family housing for occupancy as public quarters in foreign countries through the use of foreign currencies in accordance with provisions of P.L. 480, or through other commodity transactions of CCC. The Department of Defense is directed to pay to CCC not to exceed \$6 million a year until the amount due for such foreign currencies used is liquidated. Section 420 of Public Law 86-149 directs the Department of Defense in carrying out any project authorized by that Act, or any other Military Construction Act, to utilize foreign currencies acquired under Public Law 840-83rd Congress to the extent available and feasible in lieu of dollars and to reimburse Commodity Credit Corporation for any foreign currencies so utilized.

4. TRANSFERS AND DONATIONS

Domestic

There are a number of different authorities under which domestic transfers and donations are made. Purchases are made from private stocks and from CCC inventories under Section 32, Public Law 320, 74th Congress, as amended and supplemented, and related legislation. This legislation authorizes the donations of agricultural commodities and products for relief, school lunch and child nutrition programs, nonprofit summer camps, and other similar purposes.

Section 416 of the Agricultural Act of 1949, as amended, authorizes CCC, in certain circumstances, to donate food commodities, whether in private stocks or acquired through price support programs, to the Bureau of Indian Affairs and to Federal, State, and private agencies for use in the United States in non-profit school lunch programs, in non-profit summer camps for children, in the assistance of needy persons, and in charitable institutions, including hospitals, to the extent needy persons are served.

Section 9 of the Act of September 6, 1958, as amended, authorizes areas under the jurisdiction of administration of the United States to receive from the Department of Agriculture for distribution, on the same basis as domestic distribution in the United States, surplus commodities available pursuant to Section 32 of the Act of August 23, 1935, as amended, and Section 416 of the Agricultural Act of 1949, as amended.

Public Law 86-756, as amended by Public Law 87-179, authorizes schools receiving surplus foods from the Department pursuant to section 32 and section 416, as described above, to use such foods in training students, including college students if the same facilities and instructors are used to train college students, in home economic courses.

Section 407 of the Agricultural Act of 1949, as amended, directs CCC to make available farm commodities or products for use in relieving distress in areas determined by the President of the United States to be acute distress areas because of unemployment or other economic causes and also in connection with any major disaster determined by the President of the United States to warrant assistance under Public Law 875, 81st Congress.

Public Law 87-127 amended Section 407 to permit more expeditious relief, in that the Secretary can make feed owned or controlled by CCC available for foundation herds at not less than 75% of the

current support price when it is determined by the Secretary that an emergency exists. Public Law 86-299, as amended by Public Law 88-585, permits the sale of such feed in such areas at not less than the current support price for other livestock of persons who cannot obtain sufficient feed without undue financial hardship.

Public Law 654, 84th Congress, directs CCC to make available to the Secretary of Interior grains acquired through price support operations as the Secretary of Interior may requisition for the purpose of preventing crop damage by migratory waterfowl.

To the extent that such quantities are in excess of usual commercial purchases, Section 202 of the Agricultural Act of 1949, as amended, directs CCC to make available its stocks of dairy products not disposed of for barter purposes under section 416 of the Act, to the armed services and to veterans' hospitals without charge, except that such agencies shall pay CCC for the cost of packaging.

Section 210 of the Agricultural Act of 1956 authorizes CCC to donate food commodities acquired through price support programs to Federal penal and correctional institutions, and to State correctional institutions for minors, other than those in which food service is provided for inmates on a fee, contract, or concession basis.

Public Law 87-152 authorizes the Secretary of Interior to requisition grain from CCC for the purpose of feeding migratory birds when threatened with starvation and authorizes States to requisition CCC-owned grain for emergency use in the feeding of resident game birds and other resident wildlife, with reimbursement to CCC for packaging and transportation expenses.

Foreign

Title II of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), as amended, directs CCC to make available to the President of the United States such agricultural commodities, determined to be available for P.L. 480 use, as he may request. The commodities are furnished through friendly governments and agencies to meet famine or other urgent or extraordinary relief requirements; to combat malnutrition, especially in children; to promote economic and community development in friendly developing areas; and for needy persons and non-profit school lunch and preschool feeding programs outside the United States. Prior to January 1, 1967, the effective date of the amendment of Title II by the Food for Peace Act of 1966, agricultural

commodities which could be made available were limited to those held in CCC stocks. The amendment removed such limitation. Public Law 90-436 extended the authority contained in Title II through December 31, 1970.

5. PAYMENT-IN-KIND PROGRAMS

All payment-in-kind export programs have been discontinued.

Public Law 88-26 provided for payments-in-kind to producers for the diversion of corn, grain sorghums, and barley acreage under the Feed Grain Program and for price support payments-in-kind to producers who participate in the program. The producers can redeem their certificates in feed grains from CCC stocks or can obtain a cash payment from CCC if they desire CCC's assistance in the marketing of the certificates. All certificates on which cash payments are made are pooled by CCC and rights to certificates in the pool are sold by CCC for redemptions in feed grains. A similar program for the 1966 through 1969 crops of feed grains was authorized by Title III of the Food and Agriculture Act of 1965.

